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The “skinny” on financial incentives for exercise programs

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Much has been written about poor diet and lack of exercise and the health threat they pose to millions of Americans in the workplace. However, despite growing interest among employers in instituting financial rewards for exercise and other healthful behaviors, research on whether workplace incentives are effective in promoting such behaviors is limited.

In "Incentives, commitments and habit formation in exercise: evidence from a field experiment with workers at a Fortune-500 company" (National Bureau of Economic Research, working paper no. 18580, November 2012, http://www.nber. org/papers/w18580.pdf?new_win dow=1), authors Heather Royer, Mark F. Stehr, and Justin R. Sydnor help add to our knowledge of the usefulness of financial incentives with their report on the results of just such a program introduced at the Midwest headquarters of a Fortune 500 company. The program was designed to obtain long-term, rather than temporary, behavioral changes. The goal of the study was to measure those changes.

The program consisted of two stages. In the first stage, a group of 1,000 randomly selected employees was paid $10 for each visit (up to 3 visits a week) to the company's exercise facility during the course of a month. In the second stage, some of those completing the program were made no further offer. Others, however, were offered a self-funded "commitment contract," in which individuals pledged an amount of their choosing that they would continue to use the gym for an additional 2 months. If an employee kept the commitment, all money he or she pledged was refunded; if not, the money was given to the United Way.

The authors note that this study was the first to test the effectiveness of commitment contracts as an extension of an incentive program, rather than being a stand-alone program, to a broad population. The study produced the following notable findings:

- Employees responded very positively to financial incentives. Their rate of gym usage doubled during the incentive period, and it is estimated that at least 70 percent of those attending the gym hadn't done so previously. There was a modest increase of 16 percent of the incentive period gym usage beyond the 1-month incentive period. Most of the improvement was among those who had been offered a commitment contract.
- Usage results were much better for individuals who were offered both a financial incentive and a commitment contract; their gym use during the next 2 months reached 47 percent of the original incentive-period use and continued to be high a full year later.

- Those who exercised regularly during the incentive period but who fell short of maximizing their earnings were the most likely to make commitments; also, women were much more apt to sign commitment contracts than were men.
- The appeal of commitment contracts was shown to be unrelated to individuals' awareness of difficulty controlling their own behavior.

Hence, the authors determined that a temporary incentive program coupled with a commitment contract option is a much better option because it is more likely to produce lasting changes.

The authors drew a couple of implications from the study. First, a relatively small share of the money spent by the employer on incentives results in new exercise; in this study, 65 percent of what the employer paid employees went for exercise they would have done without the program. Nonetheless, if the increase in exercise drove down health care costs by about 1 percent, the program paid for itself. Similarly, if the additional exercise caused 1 in 3 employees to experience 1 fewer day of absence per year, the program paid for itself in that manner.